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C O N F I D E N T I A L SECTION 01 OF 04 RIYADH 001475

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DEPT OF ENERGY PASS TO A/S HARBERT, DAS HEGBURG, MWILLIAMSON
DEPT OF TREASURY FOR A/S CLOWERY

E.O. 12958: DECL: 07/10/2017

TAGS: [EPET](#) [ENRG](#) [EINV](#) [IR](#) [SA](#)

SUBJECT: NOPEC WORRIES US, ARAMCO LAWSUITS WORRY US MORE

REF: A. ROSS-RJACHIM/GALLOGLY/HART 7/10/2007 E-MAIL

[1](#)B. RIYADH 1416

[1](#)C. SECSTATE 88197

Classified By: DCM Michael Gfoeller for reasons 1.4 (b) and (d).

[1](#)1. This is an action request. Please see paragraph six.

SUMMARY

[1](#)2. (C) In a July 8 meeting, HRH Deputy Minister of Petroleum (MinPet) Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud indicated his concern with pending NOPEC legislation, but frankly told Embassy officers that he was far more concerned with the nuisance lawsuits cropping up against Saudi Aramco in U.S. district courts alleging price fixing in concert with OPEC. He told us he would like the USG to file a "statement of interest" (SOI) on behalf of Saudi Aramco invoking the act of state and sovereign immunity doctrines in these cases. He told us that King Abdullah specifically had raised the lawsuit issue with Vice President Cheney during his May visit - rather than NOPEC - and that the Saudi government would judge the Administration's willingness to file an SOI as a test of good faith on the lawsuit and NOPEC issues. Prince Abdulaziz believes a SOI would discourage additional lawsuits and send a potent signal to Congress that would lessen NOPEC's potential for passage. In contrast to the stern reaction the Prince Abdulaziz delivered last week (ref B), he appeared willing to consider strategies to move forward on NOPEC. He estimated NOPEC has a "5%" chance of passing, but "we must consider all contingencies, and this is being propelled in a nasty way by public opinion"

Act of State and Sovereign Immunity Doctrines At Stake;
"We Are Asking You to Intervene"

[1](#)3. (C) On July 8, the DCM, Pol Counselor, and Energy Attache met with HRH Deputy Petroleum Minister Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud to discuss the NOPEC issue. Prince Abdulaziz told us that that Minister Naimi recently had written a letter to Secretary Bodman protesting NOPEC, and provided a copy of the letter. Despite the broadside he delivered against NOPEC a few days prior (ref B) Prince Abdulaziz then steered the conversation towards lawsuits filed against Saudi

Aramco in U.S. district courts alleging restraint of trade and price-fixing conspiracies in the sale of petroleum products. Prince Abdulaziz explained, "It's very crucial you understand how this is evolving. Saudi Aramco is being named as a co-conspirator in legal cases that are growing larger by the day." Prince Abdulaziz stated it appeared it had become "a game" to take Saudi Aramco to court in the US, with the same lawyers cynically taking the firm into court in "so many cases across so many districts." The Prince called the onslaught "frustrating and financially draining." He added, "There is a straightforward connection between NOPEC and the cases against Aramco. It is the "political question (e.g., act of state doctrine) and sovereign immunity doctrines. We rely on you to tell the courts that they are the purview of the executive branch." He complained action had not been taken earlier. "We have written to the USG to request intervention at the district court level - we're vindicated by precedent. If this had been done earlier, it would have prevented us from being taken from court to court. We are asking you to intervene."

14. (SBU) Embassy Riyadh is currently aware of two class action suits filed by plaintiffs Fast Break Foods and Green Oil Company against Saudi Aramco. Two other class action suits by plaintiffs Spectrum Stores and Countrywide Petroleum have been filed against PDV and Citgo Petroleum and do not explicitly target Saudi Aramco. Prince Abdulaziz nonetheless considers Saudi Arabia and Saudi Aramco "implicit targets" of the two latter cases, as all OPEC member states

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are listed as "un-named co-conspirators." Prince Abdulaziz has stated there are additional cases filed against Saudi Aramco as well, and has promised to provide us additional information as soon as possible.

Give Us a Statement of Interest Now

15. (C) Prince Abdulaziz told Embassy officers that MinPet legal counsel has compiled a spreadsheet of 53 different cases since 2003 in which the USG has filed SOIs (ref A). The Prince stated that he was "asking for USG intervention now", as the plaintiffs were seeking "billions and billions, and forceful divestiture of Aramco property." He told us that while the USG has told him it rarely filed SOIs, his legal team's research had found this not to be so. He appeared disappointed the USG has not moved more swiftly to respond to his request to file a SOI.

Interagency Committee Access Request

16. (SBU) Prince Abdulaziz conveyed a request for MinPet's counsel, White and Case, to meet with the inter-agency group handling the Saudi Aramco lawsuits issue. (Note: Embassy Riyadh has since learned such a meeting has in fact been held. End note.) Action Request: Embassy Riyadh requests the interagency committee explore whether it would be appropriate to hold another meeting with MinPet counsel to update information exchange.

Production is a Sovereign Government Decision

17. (C) Switching back to the NOPEC issue, Prince Abdulaziz drew a firm line in the sand on the issue of production as a sovereign government decision. He appeared quite taken aback that Congress would question a nation's right to decide when

and how to produce its own natural resources. He noted, "Even in Iraq, where the petroleum system was designed with USG civilian input, it is recognized that production level is a sovereign government decision."

Port Arthur Expansion Hinges on USG Action

¶8. (C) Prince Abdulaziz then moved on to the near-term impact of the court cases and NOPEC on the U.S. investment climate, and Saudi Aramco's final investment decision on the proposed expansion of the Motiva Port Arthur refinery. Saudi Aramco is currently considering whether to expand its Motiva refinery in Port Arthur, Texas. The Saudi Aramco-Shell joint venture refines 285,000 barrels per day (bpd); the proposed 325,000 bpd expansion would make Port Arthur the largest refinery in the US. Shortages in U.S. refinery capacity have contributed significantly to petroleum product price volatility in recent years. Prince Abdulaziz stated, "Our final decision hinges on what reasons we have to pursue investment. We are facing daunting (court) cases. We are pursuing the engineering, but we need solid intervention from the USG to have the comfort we need for this project." Prince Abdulaziz underscored the tight timeline for the refinery expansion decision. "I greatly appreciate the many efforts Secretary Bodman and his staff have made on our behalf. However, though I recoil from saying it so forthrightly, these decisions are perhaps beyond our paygrade. The people at Aramco are really very upset. They have to make a final decision on the expansion of the Port Arthur refinery by July or August."

No More Serious Thing the USG Could Do than File A SOI
King Abdullah Raised Aramco Lawsuit Issue with VP Cheney

¶9. (C) Prince Abdulaziz continued, reflecting disappointment the USG had not yet taken action in the district court cases. "We want to register our serious

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disappointment that the USG has not yet intervened in the district court cases. There is nothing greater that the USG can to do demonstrate its commitment in the NOPEC issue than intervene in these court cases." Prince Abdulaziz underscored that he is "ready to fly at any time to Washington to meet with DOE or the interagency committee to discuss the cases against Saudi Aramco. What is crucial in this issue is that the spread of the fire is stopped. Every week there is a new case. The cases are here already. NOPEC will just add insult to injury. The SOI would say a lot about how much the USG is committed to fending off this legislation. The lawsuits are our deepest concern, candidly."

¶10. (C) Prince Abdulaziz continued, discussing Vice-President Cheney's May 2007 visit. "During the visit of the Vice-President, the King raised the cases, not NOPEC." Prince Abdulaziz made clear the decision to raise the lawsuits instead of NOPEC was a calculated political decision taken at the highest levels. He continued, adding, "If the USG intervenes in these cases, it will be a serious demonstration, more serious than a NOPEC veto - there is not a more serious thing the USG can do - than submitting a brief to the court. If this happens, the people in Congress will see the Administration practicing what it says." In the interests of moving the lawsuits issue forward, Prince Abdulaziz agreed to forward a background paper by 14 July to the Embassy sharing more details on the legal cases being filed against Saudi Aramco.

¶11. (C) Prince Abdulaziz is particularly piqued, as he perceives NOPEC spurring more legal action against Saudi Aramco. He explained, "NOPEC is the enabling element for

people to take more cases to court against Aramco." Conversely, he hopes the Administration filing an SOI will send a public signal which would curtail additional lawsuits. Prince Abdulaziz frankly assessed, "I don't believe NOPEC will become law, I give it a 5% chance, but as a policy person, we're commissioned to look at all possibilities. I wonder if even a veto will hold. Even with the assumption that the Administration in good faith will practice the Statement of Administration Policy and the President will veto it, there is that 5% contingency, what can we do? This is being propelled in a nasty way by public opinion."

Government Fears Impact of NOPEC Outside Oil Sector

¶12. (C) Prince Abdulaziz reflected on the wide range of concerns the Saudi government and royal family are expressing to him concerning possible impacts of NOPEC. He stated, "SAMA (The Saudi Arabian Monetary Agency, the central bank) is really concerned, they have lots of accounts in the U.S." He also told us that individuals are concerned will they be targeted as an "accomplice" if they visit the US, musing, "We can't say it's not possible." He wondered out loud, "Could King Abdullah be served papers on a state visit? We have to re-look at our whole investment approach. NOPEC is tantamount to the Arab embargo inversely practiced by the US. How can we unload our (crude tanker) vessels in US jurisdiction if we're subject to this?"

Looking To the Future: What Can you Tell Us About
Future Administrations?

¶13. (C) Prince Abdulaziz has been well-informed by his legal team, and understands the current Administration will not take action under NOPEC. However, potential action of future administrations remain a source of concern, particularly for petroleum investments such as refineries with a 30-plus year lifespan. Prince Abdulaziz noted, "Some of our lawyers are serious Democrats. This administration won't make an issue of this bill, but they can't guarantee future administrations."

I'm Trying to Keep This From Boiling Over;
Need for Contingency Planning

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¶14. (C) Prince Abdulaziz spoke at length about his efforts to keep tempers from flaring within the Saudi government and OPEC members, many of which considered NOPEC an affront to their consistent efforts to meet U.S. and world energy demand. The Prince told us, "I'm trying to keep the lid on the box, but it's boiling. I've had to resort to scare tactics to keep it within this building." He explained his efforts to tamp down anti-NOPEC agitation within the Saudi consultative council, the Majlis al Shoura, and bemoaned that there is little the Saudis can do on NOPEC that will not aggravate the situation. He told us, "I took this issue to the Shoura Council two weeks ago. We spent an hour and a half of five hours on NOPEC just to convince people to be quiet on this, and not speak out against Congress. I had to tell an OPEC minister to be quiet. We understand the best position on NOPEC is to be quiet, what else can we do? Anything we do would invigorate interest in the bill. This bill is based on elections. The FTC (Federal Trade Commission) has said one, two, three times that there is no price manipulation in this market. The facts and logic do not support the bill. Elections support the bill."

¶15. (C) Prince Abdulaziz also focused on the need for contingency planning in the event that NOPEC were passed into

law, noting that the question as to whether a veto of NOPEC would hold remained open. He stated, "I cannot just be a sitting duck, I have to do a risk exposure assessment. I'm not questioning the good faith of the Administration, but we can't act without total dis-regard for an energy bill that's still flying between conference committees. Things get added, drop out, pass, don't pass -- as a policy person, I must look at how we'll be affected. We have no interest in creating a crisis here. Clarity and stability in our bilateral dealings for an enabling environment and further investment in the US are paramount."

Iran's Aqazadeh: Didn't Trust Him Then, Don't Trust Him Now

¶16. (C) In side comment, Prince Abdulaziz told us he does not consider Iranian Atomic Energy Head Gholamreza Aqazadeh to be trustworthy. He re-counted a story of a difficult OPEC session in 1987, when, as a junior official in his first big negotiation, the Prince spent 12 hours negotiating with Aqazadeh, who was then Iran's oil minister. At the end of the session, Aqazadeh went downstairs, and told the press "180 degrees of what was agreed! And now he's the head of Iran's nuclear portfolio." The Prince charged, "I've never had a good negotiation experience with the Iranians. They always renege on their contracts, re-interpret, and differently interpret."

Comment

¶17. (C) Prince Abdulaziz has astutely noticed that NOPEC has grabbed the USG's attention in a way that his earlier requests for intervention in the lawsuits against Saudi Aramco have not. In bit of political jujitsu, he is using our willingness to attend to NOPEC to extend our interest to another issue which is more front and center for him right now. The NOPEC bill is a large threat to Saudi interests - one that is a couple of months in the future. However, Prince Abdulaziz perceives the lawsuits as a threat right now, one that could derail the expansion of the Port Arthur refinery, possibly by the end of the summer. The Prince clearly believes the USG is being unresponsive to his request to file a SOI on behalf of Saudi Aramco, given the large number of such interventions the USG has filed in past years. As he waved his spreadsheet of SOIs in the air, he seemed to be asking, "Who else do you have on this list of 53 whose interests are more important to you than us?"

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